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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/724,075	11/28/2000	Tim Bridges	3499-95	6810

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EXAMINER

GRAHAM, CLEMENT B

ART UNIT PAPER NUMBER

3628

DATE MAILED: 01/06/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

## Office Action Summary

Application No.

09/724,075

Applicant(s)

BRIDGES ET AL.

Examiner

Clement B Graham

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-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

### Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133).
- Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

### Status

- 1) ☒ Responsive to communication(s) filed on 18 September 2003.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

### Disposition of Claims

- 4) ☐ Claim(s) \_\_\_\_\_ is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☐ Claim(s) \_\_\_\_\_ is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

### Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.  
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).  
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

### Priority under 35 U.S.C. §§ 119 and 120

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).  
a) ☐ All b) ☐ Some \* c) ☐ None of:  
1. ☐ Certified copies of the priority documents have been received.  
2. ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.  
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).  
\* See the attached detailed Office action for a list of the certified copies not received.
- 13) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. § 119(e) (to a provisional application) since a specific reference was included in the first sentence of the specification or in an Application Data Sheet. 37 CFR 1.78.  
a) ☐ The translation of the foreign language provisional application has been received.
- 14) ☐ Acknowledgment is made of a claim for domestic priority under 35 U.S.C. §§ 120 and/or 121 since a specific reference was included in the first sentence of the specification or in an Application Data Sheet. 37 CFR 1.78.

### Attachment(s)

- 1) ☒ Notice of References Cited (PTO-892) 4) ☐ Interview Summary (PTO-413) Paper No(s). \_\_\_\_\_
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948) 5) ☐ Notice of Informal Patent Application (PTO-152)
- 3) ☐ Information Disclosure Statement(s) (PTO-1449) Paper No(s) 9. 6) ☐ Other:

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## DETAILED ACTION

### Claim Rejections - 35 USC § 103

1. The following is a quotation of 35 U.S.C. § 103(a) which forms the basis for all obviousness rejections set forth in this Office action: (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

2. The factual inquiries set forth in *Graham v. John Deere Co.*, 148 USPQ 459, that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or unobviousness.

3. Claims 1-14, are rejected under 35 U.S.C. 103(a) as being unpatentable over Lange, U.S Patent 6,321, 212 in view Payne et al (Hereinafter U.S Patent 6, 343, 272).

As per claims 1-9, Lange discloses a method implemented by a programmed computer system for reducing periodic earnings volatility associated with a hedged exposure, the method comprising:

processing data and instructions on the computer to account for a financial exposure and an associated hedging instrument by designating a portion of the value of the financial exposure as being hedged by the hedging instrument.(see column 61 –65 lines 5-65 and column lines 50-65 and column 7 line 5) the portion being determined based on processing of data representing a price sensitivity of the hedging instrument with respect to changes in market value of an underlying instrument.(see column 9 lines 10-25).

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Lange fails to teach in each of a plurality of sequential periods, processing data on the computer to compute a redesignation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument.

However Payne discloses the asset portfolio is managed to keep the sensitivities close to targets determined by the investment strategy. By periodically monitoring and matching the risk, the insurance company can maintain profits and meet death benefit (or surrender value) liabilities. As part of these hedging activities, the system also shows changes in market values of assets, liabilities and economic surplus per point change in the S&P 500 Index or other index and per basis point change of interest at key or partial durations, to assess the effectiveness of hedging operations. (note abstract and see column 4 line 65 and column 5 line 5 and column 6 lines 20 –45 and column 2 lines 35-65 and column 3 lines 5-10).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Lange to include each of a plurality of sequential periods, processing data on the computer to compute a redesignation of the portion of the financial exposure based on changed price sensitivity of the hedging instrument which is taught by Payne in order to manage the increased risk from participation in the stock market by periodically monitoring assets and liabilities and determining the purchase and sale of stock options and other hedging instruments to cover the risks and provide cash and profit determinations from the life insurance policies and annuity contracts.

As per claims 10-11, Lange discloses a method implemented by programmed computer system for of reducing periodic earnings volatility associated with a hedged exposure, the method comprising:  
executing a computer program module configured to receive data and process computer code instructions to account for a financial exposure and an associated hedging instrument, the hedging instrument comprising a first and a second part, wherein changes in the value of the first part substantially offset changes in value of the financial exposure. (note abstract and see column 4 line 65 and column 5 line 5 and column 6 lines 20 –45 and column 2 lines 35-65 and column 3 lines 5-10) and  
executing a computer program module configured to receive data and process computer code instructions to designate a portion of the first part as a hedge of the financial exposure such that the remainder of the first part offsets the delta of the second part. (see column 15-20 lines 5-65).

Lange fails to teach executing a computer program module configured to receive data and process computer code instructions to designate, a portion of the first part as a hedge of the financial exposure such that the remainder of the first part offsets the delta of the second part.

However Payne discloses the asset portfolio is managed to keep the sensitivities close to targets determined by the investment strategy. By periodically monitoring and matching the risk, the insurance company can maintain profits and meet death benefit (or surrender value) liabilities. As part of these hedging activities, the system also shows changes in market values of assets, liabilities and economic surplus per point

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change in the S&P 500 Index or other index and per basis point change of interest at key or partial durations, to assess the effectiveness of hedging operations. (note abstract and see column 4 line 65 and column 5 line 5 and column 6 lines 20 –45 and column 2 lines 35-65 and column 3-5 lines 5-65).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Lange to include executing a computer program module configured to receive data and process computer code instructions to designate, a portion of the first part as a hedge of the financial exposure such that the remainder of the first part offsets the delta of the second part which is taught by Payne in order to manage the increased risk from participation in the stock market by periodically monitoring assets and liabilities and determining the purchase and sale of stock options and other hedging instruments to cover the risks and provide cash and profit determinations from the life insurance policies and annuity contracts.

As per claims 12-13, Lange discloses a method of accounting for a hedged exposure, the method comprising: procuring a hedging instrument to hedge a total exposure value of a financial instrument; and on a computer system and prior to each of a series of sequential time periods, processing data and program instructions to cause the computer system to: calculate a designated portion of the total exposure value based on a current sensitivity of a price of the hedging instrument and the value of the exposure, and account aeeelm6fgfor the hedging instrument as a hedge on the designated portion of the total exposure value(note abstract see column 15-20 lines 5-65) and on the computer system

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and subsequent to an end of each time period, processing data and program instructions to cause the computer system to determine a change in the market value of the hedging instrument over a corresponding time period(see column 113-114 lines 5-65)

Lange fails to teach determine a change in the market value of the designated exposure over the corresponding time period, and account for said change in market value of the hedging instrument offsetting said change in market value of the designated exposure as other than earnings.

However Payne discloses the asset portfolio is managed to keep the sensitivities close to targets determined by the investment strategy. By periodically monitoring and matching the risk, the insurance company can maintain profits and meet death benefit (or surrender value) liabilities. As part of these hedging activities, the system also shows changes in market values of assets, liabilities and economic surplus per point change in the S&P 500 Index or other index and per basis point change of interest at key or partial durations, to assess the effectiveness of hedging operations. (note abstract and see column 4 line 65 and column 5 line 5 and column 6 lines 20 –45 and column 2 lines 35-65 and column 3-5 lines 5-65).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Lange to include determine a change in the market value of the designated exposure over the corresponding time period, and account for said change in market value of the hedging instrument offsetting said change in market value of the designated exposure as other than earnings. which is

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taught by Payne in order to manage the increased risk from participation in the stock market by periodically monitoring assets and liabilities and determining the purchase and sale of stock options and other hedging instruments to cover the risks and provide cash and profit determinations from the life insurance policies.

As per claim 14, Lange discloses a computer system comprising:  
a host computer comprising a processor coupled to a memory comprising instructions to configure the processor to process executable instructions and data to compute a value representing a reduction in earnings volatility in a derivative account pursuant to FAS 133, the instructions further comprising instructions to cause the processor to:  
process said instructions to compute data to account for a financial exposure and an associated hedging instrument by designating a portion of the value of the financial exposure as being hedged by the hedging instrument, the portion being determined based on processing of data representing a price sensitivity of the hedging instrument with respect to changes in market value of an underlying financial instrument. (note abstract and see column 4 line 65 and column 5 line 5 and column 6 lines 20 –45 and column 2 lines 35-65 and column 3-5 lines 5-65).

Lange fails to teach process said instructions such that, in each of a plurality of sequential periods, data is computed to redesignate the portion of the financial exposure based on changed price sensitivity of the hedging instrument.

However Payne discloses the asset portfolio is managed to keep the sensitivities close to targets determined by the investment strategy. By periodically monitoring and matching the risk, the insurance company can maintain profits and meet death benefit



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(or surrender value) liabilities. As part of these hedging activities, the system also shows changes in market values of assets, liabilities and economic surplus per point change in the S&P 500 Index or other index and per basis point change of interest at key or partial durations, to assess the effectiveness of hedging operations. (note abstract and see column 4 line 65 and column 5 line 5 and column 6 lines 20 –45 and column 2 lines 35-65 and column 3 lines 5-10).

Therefore it would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Lange to include process said instructions such that, in each of a plurality of sequential periods, data is computed to redesignate the portion of the financial exposure based on changed price sensitivity of the hedging instrument which is taught by Payne in order to manage the increased risk from participation in the stock market by periodically monitoring assets and liabilities and determining the purchase and sale of stock options and other hedging instruments to cover the risks and provide cash and profit determinations from the life insurance policies and annuity .

#### Conclusion

4. The prior art of record and not relied upon is considered pertinent to Applicants disclosure.

Fraser et al (US 6, 560, 580 Patent ) teaches automated auction protocol.

Fraser et al (US 5, 905, 974 Patent ) teaches automated auction protocol.

.Lewis (US Patent 6, 513,019) teaches financial consolidation and communication platform.

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Young et al(US Patent 6, 393, 409) teaches computer method and apparatus for optimizing portfolios of multi participants.

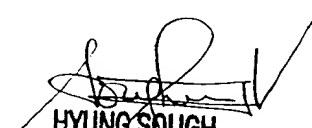
Any inquiry concerning this communication or earlier communications from the examiner should be directed to Clement B Graham whose telephone number is 703-305-1874. The examiner can normally be reached on 7am to 5pm.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung S. Sough can be reached on 703-308-0505. The fax phone numbers for the organization where this application or proceeding is assigned are for regular communications and 703-305-7687 for After Final communications.

Any inquiry of a general nature or relating to the status of this application or proceeding should be directed to the receptionist whose telephone number is 703-308-1113.

CG

December 22, 2003

  
HYUNG SOUGH  
SUPERVISORY PATENT EXAMINER  
TECHNOLOGY CENTER 3600